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The Doha Development Agenda After Cancun

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*Victory has a thousand fathers
But failure is an orphan*

Introduction

The failure of the 5th Ministerial Conference of the WTO to agree on detailed parameters for the ongoing negotiations is an important setback for the Doha Development Agenda. It is, however, too early to judge its impact on the WTO as an institution as this will largely depend on when and how the negotiations are or are not resumed.

The main immediate impact is to delay the effective resumption of negotiations in Geneva and therefore puts in serious doubt their completion by 1 January 2005.

All members of the Organisation stand to lose from this situation, the developing and smaller developed countries which had hoped for a breakthrough in the negotiations on agriculture, the African countries dependent on cotton exports which had hoped to obtain substantial commitments to reduce trade-distorting subsidies and, in a more general and diffuse manner, those members, including the EU and its Member States, that wish to promote the WTO as *the* international forum for development-oriented market opening and rule-making. The only winners are the protectionists and the opponents of greater international co-operation.

In the Commission team there is a sense of disbelief that this Conference came to fail, in the manner and on the ostensible basis on which this happened. There is a strong sense that this happened because of entrenched and inward looking policies in key Members of the WTO which had only reluctantly agreed to the launch of the DDA in the first place. The Conference ended in a manner that will delay, indeed imperil, the successful pursuit of the negotiations and of the further development of the multilateral system governing international economic relations. There is an impression that this failure was, if not consciously pre-programmed, at least easily accepted by some participants.

The fact that the EU will not suffer any short or medium term negative economic consequences of this is beside the point.

The question is now on which issues, how and when to get the negotiations back on track and if this proves difficult or impossible, which are the alternatives. For the EU, the DDA is both a major political and an economic project. For other key participants, it is only an economic project, positive or negative, for some of them with negative political effects as they seek to pursue agendas which differ from the Doha mandate, sometimes inward looking.

Anatomy of a Failed Conference

The Cancun Conference failed for reasons of substance, tactics and organisation, some of which are still only dimly perceived.

A substantial amount of technical preparation and negotiation has been carried out since Doha on nearly all of the issues on the agenda. The basic, often very detailed, parameters, both of the further negotiations and, in many cases, the actual contents of the future agreements, were discussed and elaborated on all of the big issues on the agenda, including agriculture, services, non-agricultural market access and the four Singapore issues, albeit often with sharply contrasted positions being presented as alternatives. Less progress had, on the other hand, been achieved on issues of interest to the EU such as trade and the environment, geographical indications, anti-dumping and anti-subsidies, and non-trade concerns.

In this respect, the failure of the Cancun Conference differs fundamentally from that of Seattle, for which the necessary preparatory work had not been completed. Although the substantive work had largely been done by the end of August, the gaps between the positions of the Members proved, in the event, to be wider than could be bridged during a five-day conference, for reasons of substance, tactics and organisation:

Substance

a) Cotton: It proved impossible to reach agreement on even a minimum of satisfaction to the justified African demands regarding trade-distorting subsidies on cotton, due to the de facto rejection of this request by the United States. The EU, for its part, was in a position to make a

significant move in this area. The manner in which this rejection was conveyed through a Chairman's draft text reflecting a position virtually identical to that of the United States (and rejected earlier by the Africans) clearly contributed to the development of a charged emotional atmosphere during the last 24 hours of the Conference, and of a feeling amongst the Africans and the LDCs of being pushed around and manipulated.

b) Agriculture: On agriculture, a major breakthrough was in the offing following the presentation of the joint EU-US approach to the WTO in mid-August. If accepted, at least as a starting point for the Cancun negotiations, this would have provided a basis for substantial further reform and reductions of all forms of trade-distorting subsidies, in particular in the US and the EU, and for negotiations on market access which, through a mixture of tariff reductions and tariff rate quotas, would have provided a substantial increase of market access in favour of developing countries. At the same time, this compromise also allowed developing countries a very considerable degree of leeway with respect to the reduction of their own subsidies, especially those related to rural development and a protection against disruptive market opening, in particular for the "special products" essential for their food security. The EU also indicated its preparedness to phase out all forms of export subsidies on products of particular interest to developing countries, an offer which was attracting much positive attention from the start of the Conference. A great opportunity to move forward before the beginning of the US election campaign was missed.

c) The Singapore Issues: The four so-called Singapore issues belong to two different categories:

- i) *trade facilitation and government procurement* are classical GATT issues and aim at strengthening existing GATT provisions in order, respectively, to reduce bureaucratic and often obscure obstacles to trade and to introduce a minimum of visibility into the tendering process for public procurement contracts. In short, to reduce red tape, increase transparency and improve the management of public money.
- ii) *investment and competition:* these issues are only partially new to the WTO, since the GATS negotiations have dealt with investment since the inception of the Uruguay Round in 1986. Both of them are key issues in modern economic policy making with strong developmental aspects and have been promoted by the EU as an

alternative to the law of the jungle which otherwise allows the stronger members to impose their interests. They are also of interest to many developed and developing countries, including European investors and traders.

Substantial preparatory work was conducted and completed on all four Singapore issues for which the DDA had established a commitment to launch negotiations on the basis of “explicit consensus” at the Cancun Ministerial. In spite of this commitment, the preparatory phase saw the emergence of sharply divergent opinions regarding the readiness of many Members to pursue such negotiations in the WTO. Some, essentially many Africans and least-developed countries, voiced opposition to negotiations because of their absence of technical capacity to participate in those negotiations. Others have advanced reasons of national sovereignty (India and others) as a reason to reject negotiations. Yet others have little enthusiasm for new multilateral commitments and prefer to pursue their interests through national means (the United States on investment and competition). In a major concession the EU floated, from the very beginning of the Conference, the idea of "optional participation". Although the four Singapore issues would formally remain on the agenda, Members would be free to decide by themselves whether to participate in the results of the negotiations, as a derogation from the basic principle that subjects part of the agenda must be ratified by all Members. For reasons which are not clear, none of the key players, such as the Chairman of the Conference, the “facilitator”, India and the US, took up this offer.

The EU finally offered to drop investment and competition definitively from the negotiating agenda. Even this major concession proved to be unacceptable to the African group and to the least-developed countries, which could not accept the pursuit of negotiations on any of the four Singapore issues, and to Korea, which insisted on all four.

The Chairman of the Conference then announced his intention to declare the Conference a failure, thus pinning the responsibility for the breakdown on this particular set of systemic issues rather than on cotton or agriculture, issues of much greater immediate economic importance to developing countries, where the degree of divergence and controversy was significantly greater, where some other participants were preventing any progress by their uncompromising positions, but which were not even discussed and where further negotiations were expected and could have resulted in a successful outcome.

d) Non-agricultural Market Access: Here again, substantial preparatory work had led to the presentation of a text establishing the parameters for the future negotiations on tariffs, which was probably the mid-point between the relatively high ambitions of the EU and the United States on the one hand and the low ambitions of Brazil and India on the other hand. Although manufactured products represent about 80% of world trade, very little time was devoted to the discussion of this issue, on which it is likely that agreement could have been reached if consensus had been achieved on the other issues.

Tactics

This Conference saw the introduction into the WTO of the type of North-South confrontation that has at times characterised the UN system. The other, main manifestation of this confrontational stance was the creation by Brazil and India of an offensive-defensive alliance on agriculture, ostensibly as a response to the EU-US initiative in mid-August, which very quickly drew together several other developing countries, finally including China.

This was possible by accumulating in one single position all of the main offensive demands of the Cairns Group but with disciplines only for developed countries, and incorporated the very defensive Indian positions on market access and China's request that newly acceded countries be made subject to no new liberalisation commitments. The heterogeneity of this coalition made it impossible for it to negotiate with others on any single issue of substance. At no point was there any meaningful negotiation in the sense of an indication from the G-21 of a disposition to reduce the level of their demands or to accept any commitments for themselves.

The EU, for its part, made it clear that it could go far in the direction of accepting a very large degree of special and differential treatment for developing countries and, as indicated above, it showed considerable flexibility with respect to export subsidies of particular interest to developing countries. As the Conference proceeded, the United States found itself under increased pressure as others were not convinced that the EU/US framework would oblige it to undertake substantial agricultural reform. Its position was also made more difficult because of the absence of any real prospects of market opening in developing countries, the main offensive US objective.

The politicisation and emotional atmosphere whipped up around the question of agriculture were such that a successful outcome of the Conference on this issue became increasingly unlikely. The absence of agreement on agriculture has been hailed as a major success in those few developing countries which did not need or want a substantial result. The real losers are the great majority of developing countries.

Organisation

The Conference failed to get into its stride until the last 48 hours, by which time it was too late to resolve the major difficulties remaining on virtually all issues. For example, there was no meaningful discussion of the Singapore issues until Sunday morning (14 September), the last day of the Conference. It also has to be recognised that however well the preparatory work had been done, and however clearly the options had been presented, the sheer volume and substantive importance of the mass of issues on the agenda made it difficult for any, except the largest and best organised of the delegations, to analyse and position themselves as the situation changed over the last few hours. One can only speculate as to whether this basic error of organisation would have led to failure even with a less contentious set of issues to resolve.

New groups, or groupings of countries, have appeared or become more prominent but none of them have an infrastructure or internal means of decision-making which makes them into more than cumbersome coalitions that at the end can only agree on the lowest common defensive or the highest common offensive denominator. This was true for both the Africa Group/African Union and the G-21. In the restricted meetings on agriculture conducted under the Chairmanship of Minister Yeo between the G-21, the EU and the US, the G-21 for example explicitly stated that they would not be in a position to negotiate but only to listen to the reactions of the other two participants. The African Union rejected negotiations on all four Singapore issues despite the pleas of some of its Members not to take on such an extreme position contrary to its own interests.

More fundamentally, the whole format of a Ministerial Conference presented with a large volume of highly technical but intrinsically politically burning questions of major importance for most participants cannot be expected to resolve such issues with the present type of organisation of the WTO.

As for Cancun, another important criticism of the organisation is that 3 or 4 days were largely wasted before any real discussion of

substance took place. The Chairman remained in exclusive control of all important decisions, some of them highly surprising. His sudden decision to call an end to the work of the Conference and to make it fail on the basis of the refusal of the African group to accept negotiations on trade facilitation when so many other and much more important issues were still open for discussion and for possible resolution is one more piece of evidence of the absence of a proper consultation procedure.

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The Future of the DDA

This part of the note sets out some preliminary reflections and questions on the way ahead, although the Commission is still considering next steps and will make its proposals in due course.

Organisational Reform

It would be unrealistic, and in any event a mistake, to try to resume the negotiations in Geneva on the basis of "business as usual". A *mistake* because one would then miss the opportunity to remedy the organisational and other shortcomings of the Organisation and of the DDA and *unrealistic* because political balance and perceptions have been altered by this collective failure to move forward at Cancun.

We should therefore, inside the EU and together with our partners in the WTO, launch a critical reflection on the strengths and weaknesses of the Organisation and of what needs to be done to enable it to achieve its objectives.

The methods of work which have enabled the Organisation to move forward in the past are now clearly inadequate to meet the challenges of a truly "multipolar" situation. Up until the Uruguay Round, developing countries hardly had to contribute by accepting market-opening commitments. This changed with the Uruguay Round, which also introduced the new dispute settlement system.

The conclusion of the Uruguay Round took place at a juncture where the collapse of the Soviet Union and the rise of more market oriented and less inward looking policies in many countries provided the necessary political basis for the adoption by consensus of results in all areas of market access, rule-making, TRIPs, services and dispute

settlement, which, with hindsight, appears to be an extraordinary achievement in terms of international consensus-making.

A comparable political consensus does not exist any more and this in spite of the unanimous adoption at Doha of the Doha Development Agenda. The DDA was and is intended both to pursue market opening, but with a distinct pro-development flavour, and to extend the remit of the Organisation to new issues of major importance for international economic co-operation and to remedy the perceived or real development-related shortcomings of the Uruguay Round agreements.

The Members are now, two years after Doha, openly divided between those who basically want to see the Organisation, and especially their own international commitments, stay largely as they are today (i.e. no new market opening, nor extension of the Organisation's activities into new areas), those which remain committed to the objectives adopted at Doha and, finally, those who are prepared to pursue a basic market opening agenda and accept either a positive outcome or no outcome at all with respect to the new issues.

This evolution may be attributed to a number of factors, partly economic (fear of market opening), partly political (opposition to multilateral approaches) in key countries.

Therefore, the first and fundamental question of organisation is whether it is possible to pursue any meaningful, comprehensive progress in the WTO only on the basis of consensus or whether one should envisage a structure with the weaker and/or more reluctant members (amongst the latter some of the strongest), limiting their commitments to those the type of which is covered by the current organisation. In other words, an Organisation/negotiation largely limited to the more basic, classical "GATT type" issues of tariffs and some basic rules.

So, in parallel with this continuation of basic GATT/WTO negotiations in some or all of the "classical" areas, "WTO I", can we envisage the negotiation of additional rules to be adopted on an optional plurilateral basis in a "WTO II", binding only on those who accept to subscribe to them? The basic superstructure and substructure would be the same but part of the rulebook would be different, ie deeper and wider for those willing to accept such commitments.

This could perhaps be envisaged for some issues, including in particular those which are not, or hardly, included in the present WTO

rulebook. It may however, be difficult to envisage, for example, stricter “WTO II” type rules in other areas: if only the more outward looking members would subscribe, non-participants making no commitments themselves would nonetheless benefit because of the most favoured-nation principle. This is an important question of principle and substance to which there is no obvious answer.

Secondly, thought should be given to more technical changes of an organisational character. In particular, should the role of the Secretariat, and perhaps more importantly the Director-General, be reinforced in order to give him a solid basis for putting forward unbiased proposals and compromises that by definition can only be prepared by a highly competent and politically independent Secretariat? And if so, how should we define the DG's "right of initiative" ?

Thirdly, can one effectively use the General Council for purposes other than transparency ? It might be useful, for example, to establish a smaller group representative of the membership at large, but still sufficiently small in size to allow for meaningful negotiation. One idea would be for the smaller group to prepare options and seek compromise for agreement or rejection by the General Council/TNC.

Fourthly, do we now need to reconsider the purpose and format of ministerial conferences? For example, they could be focused on basic political choices that can be efficiently dealt with by large ministerial gatherings. The technicality, the breadth and the substance of the numerous issues where fundamentally contradictory positions were presented at Cancun clearly overwhelmed the capacity of the system to deal with even a fraction of them.

Fifthly, do we need to review the designation and the role of the Chairman of the Ministerial Conference ? For example, one might consider revising the structure for decision-making during the conference.

These are some preliminary questions and ideas concerning some of the key problems of organisation that have been identified. These and other ideas should be the subject of an intensive search for improvement on which the EU should express its position at the earliest opportunity.

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The future of the Negotiations

The launch of the DDA was very much the result of the EU's desire to continue to open new opportunities for international trade, in its own interest and for the common good, and to pursue the objective of harnessing the forces of globalisation in a manner corresponding not only to the aspirations of the EU but of all members of the WTO. What we witnessed at Cancun was less a wholesale rejection of these objectives than the conjugation of a number of sharply opposed political forces. For some, failure at the end was obviously preferable to success.

On the other hand, no substantive European economic interest is put in jeopardy by this nor is there any reason to abandon the basic thrust of our political objective of establishing a world order principally based on multilateral negotiation and compromise.

Nevertheless, as suggested above, it cannot be "business as usual". We should now use the next several weeks to discuss and reflect on the options, in the Commission, in the Council/133 Committee, with the European Parliament and European civil society at large. We should be prepared to engage in an open discussion of the EU's basic choices, including the question of the proper mix between multilateral, plurilateral and bilateral approaches. We should discuss the fundamental question of the role of "rules", old and new, about which there has been much confusion. Finally, we should look critically at the individual components of the DDA and review our position where necessary and justified.

Such a debate needs a focus. Without wishing to prejudge the outcome in any forum, here are some preliminary ideas intended to launch the discussions. In the following, the focus is first on the over-arching question of multilateral "rules", then on the question of multilateral and alternative approaches, and finally on the Singapore issues, agriculture and non-agricultural market access. A detailed review of other aspects of the agenda will also, of course, be undertaken in due course.

A. The question of multilateral rules

The question of the proper use of multilateral rules, their modification, development and possible extension into new fields, their impact on trade and other questions of collective preference has come ever more to the

fore since the introduction of binding dispute settlement in the WTO nearly ten years ago.

National policies and measures which affect international economic relations, including trade, range from the very direct and specifically trade-oriented (e.g. tariffs, quotas, anti-dumping, anti-subsidy and safeguard measures, discriminatory and/or opaque government procurement policies) to measures which are adopted largely for other reasons of domestic policy but which apply equally to domestic and international economic relations and which also have an impact on trade. The latter range, depending on the specific issue at hand, from a low level to a high level of trade impact (e.g. sanitary and phyto-sanitary measures, technical barriers to trade, the protection of intellectual property rights). International economic relations and the degree of market opening and trade distortion therefore depend on a wide variety of policies and measures, normally referred to as "rules" and, to an ever-decreasing extent, on the most obvious trade barrier of all, i.e. tariffs.

Over the years, the members of the international community have found it useful to adopt certain agreements and principles in the GATT (and subsequently the WTO) with which national policies and measures should be in conformity. These were revised and often substantially extended before being included in the Uruguay Round agreements, for example the agreements on agriculture, sanitary and phyto-sanitary measures, technical barriers to trade, etc. They contain very detailed and highly technical rules and commitments.

After the conclusion of the Uruguay Round there has been, and still exists, a clear reluctance amongst many members to re-open many of these areas for negotiation. Nevertheless, this was explicitly agreed at Doha, for example with respect to the Uruguay Round Agreements on Anti-Dumping and Anti-Subsidies, or to the part of the TRIPs Agreement related to access to medicines.

The proposal put forward at Doha by the EU and its allies and incorporated in the DDA, to launch negotiations on the four Singapore issues, constitutes the continuation of a search for better rule-making, partly in old, partly in new areas. As such, none of the four Singapore issues is any more complicated or technical than any of the existing 20-odd WTO agreements. On the contrary, the technical complexity of, for example, the agreements on agriculture and anti-dumping, under re-negotiation in the DDA, goes far beyond anything that the sponsors have in mind with respect to the four Singapore issues and therefore do not

present any greater challenge in terms of the technical capacity to participate in the negotiations than any of the other issues on the agenda.

The degree of market opening and the relationship between trade and other collective preferences and globalisation largely turn around these rules which are no more perfect to-day than when they were first adopted. The question is whether they should be reviewed and/or extended in scope (e.g. the Singapore issues), or whether the international community can allow itself to have international economic relations remain governed by a rule book written a decade ago. The question is also whether one has more or less reached the limits of what many/most Members of the WTO are prepared to accept in terms of the extent of international rule making. But even if the conclusion were that only a part of the Members were ready to press forward the frontiers of international rule making to include new areas, the question would still remain as to what to do with the existing rules. Should they stay as they are or should they be made subject to a more or less critical review, to remedy errors or define other improvements ?

It is around these crucial questions that the membership remains divided, even after the adoption of the DDA which, after all, was intended to, and on paper succeeded in establishing this agenda for substantial review of old and creation of new rules.

For example, there is still substantial support amongst most members for a far-reaching renegotiation of the rules governing trade in agriculture, but clear disagreement about the interpretation of the objectives of the negotiating agenda. The "implementation" part of the DDA is a commitment to review, perhaps renegotiate, a large number of Uruguay Round agreement rules to remedy perceived imbalances against the interests of developing countries. There is limited agreement on these very technical (and also very substantive) issues. The renegotiation of rules on anti-dumping and anti-subsidy is being opposed by those who want to be able to use these instruments for protectionist purposes. Rules dating from the Uruguay Round on other issues are either not included in the DDA (e.g. sanitary and phytosanitary measures, technical barriers to trade), or subject to intense controversy (the relationship between trade and the environment, geographical indications, non trade concerns). Nevertheless, these are also some of the areas where civil society has shown the greatest concerns with respect to the relationship between multilateral and national rule making.

The international community, including the EU, is at a watershed regarding the pursuit of these complex issues, including in particular the basic questions of a) the frontier between national and international rule making and b) whether the WTO rule book should stay as it is, to be interpreted by WTO Panels and the Appellate Body who would soon become the real rules-making authority, or whether it should change with the times. An open discussion of these questions would seem necessary.

B. Multilateralism versus Other Approaches

The EU's overall attitude toward the WTO and its sponsorship of the DDA are based on values and objectives which include, but also go far beyond, its immediate economic objectives. It is based on a strong preference for international negotiation and consensual rule making.

The failure of the Cancun Conference is as such no reason to put these basic objectives and preferences into doubt but it puts in question the willingness of others to pursue similar objectives. So should we be prepared to review the level of our ambitions and the manner in which we intend to achieve them, for example with respect to the Singapore issues ?

Therefore, although it is not suggested that the EU should abandon its political programme in favour of multilateralism, should we now be ready to make it subject to critical examination and to evaluate the advantages and disadvantages of alternative approaches, plurilateral or bilateral, if the pursuit of the above-mentioned objectives in the WTO were now to be blocked by other participants?

Some important bilateral initiatives are already well under way or being strengthened, including for example the negotiations for a Free Trade Agreement with the Gulf Co-operation Council and the expansion and improvement of trade relations in the Euromed region. Others, such as the free trade negotiations with Mercosur, have shown some progress but the road forward for these negotiations is far from clear and it is now necessary to ascertain, in the light of the failure at Cancun, what is the real interest attached to these negotiations by the Mercosur countries. Several other initiatives, some going as far as the establishment of free trade areas, others focusing on regulatory co-operation or convergence, have been proposed by some of our trading partners, such as the Andean Community, the Central American countries and Asean partners. In addition, our "Wider Europe" agenda and the Economic Partnership Agreement negotiations with the ACP countries offer a wide scope for propagating our approach to international economic co-operation.

All of these activities and initiatives, whether active or dormant, should now be reconsidered to determine whether their deepening and/or acceleration would be in the interest of the EU. We will need to evaluate the extent to which the failure of the Cancun conference and any consequent delay or contraction of the DDA will have an impact on the substance, timing and viability of these negotiations and on our approach to them. Following further reflection, the Commission's services will prepare a comprehensive reflection paper for discussion in the 133 Committee at its informal session in November, by when it may have become clearer if other Members of the WTO are seriously interested in returning to the negotiating table.

C. Singapore issues, agriculture, non agricultural market access.

i) **The Singapore issues:** The four Singapore issues are undisputedly part of the DDA and of the Single Undertaking. It is therefore a serious breach of faith to reject the pursuit of these negotiations as has been done in whole or in part by a number of countries. The reasons, real or ostensible, are well known and will not be repeated here. We now have to reflect on how to proceed with the Singapore issues. Although the Commission indicated its willingness to reduce the agenda at Cancun, this offer was not accepted and therefore does not constitute any formal or informal commitment on behalf of the EU.

The EU has the choice between dropping all or some of the four issues completely from the agenda, of trying to pursue the negotiations on all four or on some, or of pursuing the negotiations outside the Single Undertaking and the DDA.

The further pursuit of negotiations on any or all of the four Singapore issues within the Single Undertaking of the DDA would be fraught with difficulty, albeit greater for some than for other issues. The situation remains that the WTO is an organisation where decisions are based on consensus and there is currently none. Nor is it clear whether there will be any in the near future. The fact that the rejection by certain other participants is motivated by reasons which are often incomprehensible is beside the point. So if the EU, upon reflection, does decide to accept requests to stop negotiations on all or some of the Singapore issues, it should only be prepared to do so if no impediments were put in place for pursuing alternative approaches (see below).

If the EU were ready to accept that some or even all four be removed from the negotiating agenda and that no further work be undertaken on

them in the context of the DDA, this would also remove the invidious, misleading and counterproductive myth that has been constructed around the EU's pursuit of these issues. They are systemic and therefore should be of interest to all participants, at least as much to others as they are to us. Nevertheless, others have refused to accept that the EU's sponsorship of these issues is pursued for both economic reasons and for wider reasons of international governance, and a myth has been carefully cultivated and propagated that the EU should "pay" for the inclusion of the Singapore issues (perhaps hardly surprising for an organisation more attuned to horse trading than to a wider view of international co-operation). By moving to a position described below where negotiations would take place only between those who have a positive interest in their pursuit and outside the single undertaking, the EU would escape from this trap of false horse trading logic.

There are several possibilities for alternative approaches. For example, should we be ready to consider negotiations on each of the four issues amongst those members who are prepared to do so? For some of the issues, Members might on reflection conclude that it is indeed preferable to negotiate them in the context of the DDA. In other cases, it might be that only a part of the Membership would choose to pursue negotiation and participate in their conclusion. There are precedents for this latter approach, including for example the ITA (Information Technology Agreement, launched by and among some members at the first WTO ministerial), which was launched, conducted and concluded on a plurilateral basis, using the facilities of the WTO, including the Secretariat. In this possible scenario, it is highly likely that any such agreement would have to be concluded on a plurilateral basis.

ii) **Agriculture:** It is difficult to see on what basis it will be possible to resume meaningful negotiations on agriculture unless others return to the table ready to negotiate within the parameters of the DDA. The EU-US agreement reached in mid-August marked a major breakthrough: on domestic subsidies both expressed their willingness to commit to a ceiling on blue box subsidies and a substantial reduction of the amber box, which would require major reform in the United States; on market access, the EU agreed to a mixed formula which constituted an important departure from the Uruguay Round formula and the US accepted to lower its level of ambition regarding market access in developing countries; on export subsidies, the EU proposed to eliminate export subsidies on products of particular interest to developing countries and the US agreed to impose

disciplines on export credits comparable to those that the EU would apply to its direct export subsidies.

As indicated above, this offer has been largely spurned by the G-21, which have presented counterproposals which would have imposed the whole burden of adjustment exclusively on developed countries without any significant market opening or reform in the developing countries (and in a manner which would have made reform in developed countries more difficult such as their proposal on the blue box). In any event, this constituted a simple repetition of well-known positions, none of which have changed since the first submission of similar proposals in September 2002.

It is difficult to understand the tactics of the G-21. It is, however, clearly arguable that the main leaders of the G-21 have much less of an economic interest in making these negotiations move forward, India because of its largely defensive objectives, Brazil because of its strong competitive position which puts it in a much more comfortable position than any of the other significant net food exporters.

Despite the de facto breaking of the Doha "contract" by others on questions such as the Singapore issues, a key question for consideration is how to proceed with the remainder of the agenda, including agriculture. Any future negotiations must be based squarely within the Doha mandate from which the G-21 proposals differ in some essential respects, including its rejection of non trade concerns and geographical indications. As in the case of the Singapore issues, fundamental choices present themselves in terms of next steps. For example, should we be ready to leave our current proposals on the table? If we do so, other participants will have to accept that negotiations are a two way street. The main demandeurs have rejected our proposals but without offering any alternative substantially different from what they did one year ago.

But all this is, of course, for our ongoing process of reflection and consideration.

iii) **Non-agricultural market access:** The opposition to any meaningful improvement in market access in developing countries has, not surprisingly, been led by those developing countries which have some of the most restrictive import policies, ie India and Brazil. Paradoxically, although increased trade in industrial and fishery products constitutes by far the greatest potential short, medium and long-term contribution to

international growth, this has been overshadowed by the continued controversy over agriculture, removing pressure from those countries which are, respectively, the main defensive and offensive demandeurs on agriculture and which should, in the interests of their own economic development, be prepared to show at least some movement.

In terms of next steps, what attitude should we take vis a vis the Perez del Castillo text ? At the most, one may conclude that it is an adequate basis for further work, but that it needs substantial improvement, but it may be preferable to look at different approaches. To be considered in the light of other objectives.

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Brussels, 25 September 2003